

MEMORANDUM

TO: Marcia Nichols, Chairwoman of Work Group II
Members of Legislative Health Care Coverage Commission

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I. INTRODUCTION

Outcomes Pharmaceutical Health Care wishes to express sincere thanks to the Committee and its esteemed members for the opportunity to submit this memorandum for its consideration.

As new and innovative medications have been introduced, more prescribers are turning to medication as their primary treatment approach. In recent years, the use of prescription drugs has increased 59% and physicians are now 43% more likely to prescribe multiple drugs for a patient than they were 15 years ago.

However, as drug prescribing has increased, so have the costs associated with Medication Waste. Medication Waste has become a significant cost center for most employer, insurer, and government sponsored health plans, accounting for over 60% of all medication related expenses. Medication Waste occurs whenever:

- a high cost medication is used when a lower cost alternative was available;
- a patient is non-compliant with their prescribed regime;
- a patient requires additional medical treatment due to side effect/reaction; or
- a medication fails to achieve the intended results.

Failure of patients to take medication as prescribed has been estimated to impose \$290 billion annually in direct and indirect medical and economic costs. As highly trained and accessible health care providers, pharmacists play a key role in helping patients correctly adhere to their medications.

Although community pharmacists have historically been paid primarily for drug distribution and dispensing services, medication therapy management (MTM) services evolved in the 1990s as a means for pharmacists to assist prescribers and patients in managing the clinical and economic outcomes of drug therapy to reduce Medication Waste. The Medicare Prescription Drug Improvement and Modernization Act of 2003 and the subsequent implementation of Medicare Part D in January 2006 (for more than 20 million Medicare beneficiaries enrolled in the programs) suggest pharmacists are well-positioned to provide MTM services and are effective at reducing medication costs, improving adherence rates, resolving medication-related problems, and reducing the utilization of costly medical services (ER visits, hospital admissions and unnecessary physician visits).

In 2009, The Centers for Medicare and Medicaid Services (CMS) released a call letter requiring Medicare Part D plan sponsors to offer more comprehensive MTM services to a broader population of patients by the year 2010. In 2010, these new MTM standards have lead to the evolution of MTM best practices that demonstrate the ability of pharmacists to positively impact the health outcomes of their beneficiaries from both a cost and quality of care standpoint.

II. BACKGROUND ON OUTCOMES PHARMACEUTICAL HEALTH CARE

Founded in 1999 and based in West Des Moines, IA, Outcomes Pharmaceutical Health Care (Outcomes) is the national leader in MTM services. The company has built a nationwide network of Personal Pharmacists™ that deliver MTM services to covered members. Different from a health insurance company or pharmacy benefit manager, Outcomes is a company helping consumers, employers and health plans achieve greater value from their medication purchases, reduce Medication Waste and improve overall health care.

The company currently administers MTM programs for over 30 US health plans that cover more than 2.5 million patients nationwide. To date, over \$180 million in Estimated Cost Avoidance (ECA) has been documented through the Outcomes MTM program and it has detected over one million drug therapy programs through its proprietary Targeted Intervention Program (TIP®).

III. MEDICATION THERAPY MANAGEMENT PILOT FOR STATE EMPLOYEES

House File 2531 (*Division XIV, Section 166*) established a one year pilot program for the State of Iowa employee health pool for Medication Therapy Management (MTM). The legislation required MTM services to be offered to an individual with the drug therapy problem identified by a prescribing physician or other appropriate prescriber and referred to a pharmacist for MTM or an individual that meets other criteria established by the third-party payment provider.

The pilot program required the company selected through a Request for Proposal process to guarantee annual estimated cost avoidance at least equal to the Program's cost with any shortfall amount being refunded to the State. The company selected must offer a dollar for dollar guarantee for drug product cost savings for the length of the program (July 1, 2010 through June 30, 2011). The inclusion of a performance guarantee for Total Estimated Cost Avoidance (ECA) and Drug Products Costs made the MTM pilot program cost neutral to the State.

Outcomes was awarded the contract by the State of Iowa to administer the MTM pilot program for state employees and their covered dependents. The MTM pilot program commenced on July 1, 2010. Below are the results of the program through 11/19/2010:

**STATE OF IOWA EMPLOYEE PILOT PROGRAM
MTM PROGRAM RESULTS*
7/1/2010-11/19/2010**

➤ <u>MEMBERS TOUCHED</u>	
▪ 2,792 TOTAL	
➤ <u>MTM CLAIMS</u>	
▪ 4,010 TOTAL	
▪ 58% "Push" Plan Initiated	
▪ 42% "Pull" Pharmacist Initiated	
➤ <u>RETURN ON INVESTMENT</u>	
OVERALL COST AVOIDANCE OF PROGRAM:	\$2,115,908
DRUG PRODUCT COSTS SAVED:	\$675,563
HOSPITAL ADMISSIONS AVOIDED:	\$1,116,866
TOTAL Return of Investment:	\$11.61:\$1
(Levels 2-7 of Outcomes ECA Model)	
LEVEL 2 (Drug Product Costs) ROI:	\$3.71:\$1

*All of the above reported numbers have been verified by an independent, third party quality assurance reviewer.

IV. RECOMMENDATIONS FOR HEALTH COST CONTAINMENT AND EFFICIENCIES THROUGH MTM PROGRAMS

Outcomes Pharmaceutical Health Care proposes the following cost containment solutions for the State of Iowa for consideration by the Legislature this year. These programs will contain health care costs for the State of Iowa by reducing medication waste and improving health care quality as evidenced by the results of the MTM pilot program. All programs would be subject to a performance guarantee.

- a. **Reappropriate the current State of Iowa Employee MTM program and expand the eligible population to include Board of Regents Employees and their covered dependents.**
- b. **Revise the current Iowa Medicaid Pharmaceutical Case Management (PCM) program to a model consistent with the State Employee MTM pilot program and consider expansion of these MTM services to the entire Iowa Medicaid population.**

In 2009, the Iowa Medicaid PCM program served only 799 members with 32 participating pharmacies. In the first quarter of the State of Iowa Employee pilot program, it has served more than **three times the number of members** and has more than **10 times the number of participating pharmacies**. In addition, the Iowa Medicaid PCM program pays participating pharmacists for process only and has no data capture on savings and cost avoidance. The Iowa State Employee MTM pilot pays participating pharmacists for results/performance and captures verifiable cost savings and cost avoidance from services provided.

- c. **Implementation of similar MTM program for county and city employees and their covered dependents.**

Outcomes has administered a MTM program via its local pharmacy network for an Iowa municipality since 2000. The below summary demonstrates that MTM programs are not just cost neutral but rather save total health care dollars:

**CITY OF AMES
MTM PROGRAM RESULTS*
1/1/2006-12/31/2010+**

➤ <u>MEMBERS TOUCHED</u>	
▪ 464 TOTAL	
➤ <u>MTM CLAIMS</u>	
▪ 1384 TOTAL	
▪ 11% "Push" Plan Initiated	
▪ 89% "Pull" Pharmacist Initiated	
➤ <u>ESTIMATED COST AVOIDANCE MODEL</u>	
OVERALL ECA OF PROGRAM:	\$158,455.83
DRUG PRODUCT COSTS SAVED:	\$107,353.00
TOTAL Return of Investment:	\$1.40
(Levels 2-7 of Outcomes ECA Model)	
LEVEL 2 (Drug Product Costs) ROI:	\$0.95

*All of the above reported numbers have been verified by an independent, third party quality assurance reviewer.

+Claims data for the 2010 calendar year will not be measurable until 1/15/2011.

V. CONCLUSION

Over the last decade, MTM provided face-to-face by community pharmacists has gained widespread attention for achieving improved outcomes in patients (especially with chronic health care issues), while at the same time reducing overall health care costs. In addition to more actively engaging patients in their own health care, implementation of pharmacist-provided face-to-face MTM can provide significant cost savings to state Medicaid and state, county and municipal employee programs. Medication Therapy Management services provided by community pharmacists is an effective tool for Iowa to improve quality and control health care costs, particularly in this period of reduced budgets and economic uncertainty.

Outcomes and its experienced staff wish to serve as a resource to the Legislature and Executive Branch regarding the proffered recommendations for expansion of MTM programs in Iowa. Again, we thank you for your time and consideration.